



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
ROBERTSON COUNTY CLERK**

**Calendar Year 2000**

**EDWARD B. HATCHETT, JR.  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE ROBERTSON COUNTY CLERK**

#### **Calendar Year 2000**

The Auditor of Public Accounts has completed the Robertson County Clerk's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees increased by \$2,551 from the prior calendar year. Revenues increased by \$6,298 from the prior year and disbursements increased by \$3,747.

#### **Report Comments:**

- The Clerk Should Not Have A Deficit In Her Official Bank Account
- The County Clerk Should Make Daily Deposits
- The Clerk Should Maintain Proper Documentation For Receipts
- The Clerk Had Undeposited Receipts Of At Least \$10,635
- The County Clerk's Office Lacks Adequate Segregation Of Duties

#### **Deposits:**

The Clerk's deposits were insured and collateralized by bank securities or bonds.

#### **Subsequent Events:**

The County Clerk reimbursed the 2000 fee account \$11,083 from personal funds after discovering that there were insufficient funds to cover her unpaid liabilities.



## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES .....	3
NOTES TO FINANCIAL STATEMENT .....	5
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS .....	7
COMMENTS AND RECOMMENDATIONS .....	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	17





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Bradley Gifford, Robertson County Judge/Executive

Honorable Stephanie Hendricks, Robertson County Clerk

Members of the Robertson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Robertson County Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Bradley Gifford, Robertson County Judge/Executive  
Honorable Stephanie Hendricks, Robertson County Clerk  
Members of the Robertson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 23, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented comments and recommendations, included herein, which discusses the following report comments:

- The Clerk Should Not Have A Deficit In Her Official Bank Account
- The County Clerk Should Make Daily Deposits
- The Clerk Should Maintain Proper Documentation For Receipts
- The Clerk Had Undeposited Receipts Of At Least \$10,635
- The County Clerk's Office Lacks Adequate Segregation Of Duties

The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 23, 2001



ROBERTSON COUNTY  
STEPHANIE HENDRICKS, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 2000

Receipts

State Fees For Services		\$	400
Fiscal Court			51,374
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	47,804	
Usage Tax		70,263	
Tangible Personal Property Tax		132,113	
Licenses-			
Fish and Game		4,150	
Marriage		760	
Deed Transfer Tax		3,092	
Delinquent Tax		<u>3,536</u>	261,718
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	1,619	
Real Estate Mortgages		2,164	
Chattel Mortgages and Financing Statements		6,268	
All Other Recordings		<u>6,317</u>	16,368
Interest Earned			<u>154</u>
Gross Receipts		\$	330,014

Disbursements

Payments to State:			
Motor Vehicle-			
Licenses and Transfers	\$	36,453	
Usage Tax		69,146	
Tangible Personal Property Tax		56,545	
Licenses-			
Fish and Game		4,324	
Delinquent Tax		871	
Legal Process Tax		1,919	
Marriage		<u>154</u>	\$ 169,412

ROBERTSON COUNTY  
 STEPHANIE HENDRICKS, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2000  
 (Continued)

Disbursements (Continued)

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	10,715	
Delinquent Tax		409	
Deed Transfer Tax		<u>2,937</u>	\$ 14,061

Payments to Other Districts:

Tangible Personal Property Tax	\$	59,286	
Delinquent Tax		<u>1,544</u>	60,830

Payments to Sheriff			154
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Operating Disbursements:

Other Charges-

Printing Tax Bills	\$	380	
Miscellaneous		<u>421</u>	<u>801</u>

Total Disbursements			<u>\$ 245,258</u>
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Net Receipts			\$ 84,756
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Less: Statutory Maximum			<u>50,834</u>
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Excess Fees Due County for Calendar Year 2000			\$ 33,922
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Payments to County Treasurer for Calendar Year 2000			<u>32,158</u>
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Balance Due at Completion of Audit			<u><u>\$ 1,764</u></u>
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The accompanying notes are an integral part of the financial statement.

ROBERTSON COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

ROBERTSON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2000  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Subsequent Events

As of December 31, 2000, the County Clerk's 2000 fee account had a large number of unpaid liabilities. Subsequent to the year-end, the Clerk determined that there was not enough money in the account to cover all of these liabilities. The Clerk deposited \$10,000 of personal funds into the fee account; however, this was deposited into the 2001 fee account in error. The Clerk corrected the error by transferring \$11,000 to the 2000 account from the 2001 account. Having paid her liabilities, the Clerk then deposited \$83 from personal funds into the 2000 fee account in order to close out the account. The Clerk then realized that the 2001 account was shorted \$1,000 and reimbursed the account from personal funds.

ROBERTSON COUNTY  
STEPHANIE HENDRICKS, COUNTY CLERK  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

As of December 31, 2000

Assets

Cash in Bank	\$ 13,755
Deposits in Transit	<u>15,974</u>
Total Assets	<u>\$ 29,729</u>

Liabilities

Paid Obligations-

Outstanding Checks

State Treasurer-		
Motor Vehicle Licenses	\$ 1,094	
Usage Tax	1,756	
Robertson County-		
Tangible Personal Property Tax	735	
Other Districts-		
Tangible Personal Property Tax	220	
Miscellaneous	<u>17</u>	
Total Paid Obligations		\$ 3,822

Unpaid Obligations:

State Treasurer-		
Motor Vehicle Licenses	\$ 3,195	
Usage Tax	584	
Tangible Personal Property Tax	6,003	
Fish and Game Licenses	38	
Legal Process Tax	198	
Delinquent Tax	451	
Robertson County-		
Tangible Personal Property Tax	1,279	
Delinquent Tax	187	
Deed Transfer Tax	1,743	
3rd and 4th Quarter Excess Fees - 2000	15,028	
Other Districts-		
Tangible Personal Property Tax	7,129	
Delinquent Tax	680	

ROBERTSON COUNTY  
STEPHANIE HENDRICKS, COUNTY CLERK  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS  
As of December 31, 2000  
(Continued)

Liabilities (Continued)

Unpaid Obligations: (Continued)

Sheriff-		
Delinquent Tax	\$	70
PVA-		
Preparing Tax Bills		380
Additional 2000 Excess Fees Due Fiscal Court		1,764
Miscellaneous		<u>25</u>
Total Unpaid Obligations	\$	<u>38,754</u>
Total Liabilities	\$	<u>42,576</u>
Total Fund Deficit as of December 31, 2000	\$	<u><u>(12,847)</u></u>

## COMMENTS AND RECOMMENDATIONS





ROBERTSON COUNTY  
STEPHANIE HENDRICKS, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

Calendar Year 2000

NONCOMPLIANCE AND INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

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The Clerk Should Not Have A Deficit In Her Official Bank Account

Based on the available records, the Clerk had a deficit of \$12,847 in her official bank account as of December 31, 2000. This deficit resulted from poor internal controls and accountability over cash receipts. Daily deposits were not being prepared and could not be consistently reconciled to the receipts ledger. Subsequent to the calendar year end, the Clerk eliminated the majority of this deficit by depositing \$11,083 from personal funds into her official account. We recommend the remaining deficit of \$1,764 be paid from personal funds.

*County Clerk's Response:*

*According to the auditor, the bulk of the deficit (\$11,083) was incurred between December 4-21, 2000, which corresponds to the period of time that I was out of the office due to having a minor child who had been admitted to the hospital intensive care unit following surgery. Furthermore, I have eliminated the deficit by depositing my own money acquired from a bank loan. I have also paid the most recently discovered deficit amount of \$1,764 which was comprised almost entirely of approximately \$1,500 in uncollectable checks and bank fees associated therewith.*

*County Judge/Executive's Response:*

*The sum of \$1,764 was repaid to the Robertson County Fiscal Court on 7/27/01.*

The County Clerk Should Make Daily Deposits

A review of the County Clerk's year-end account reconciliation and tests of daily receipts conducted during the audit revealed the County Clerk did not make daily deposits during calendar year 2000. KRS 68.210, KAR 1:070, and TAB 93-002 require the County Clerk "to deposit, all public funds received, into an official account on a daily basis." We recommend the County Clerk deposit all monies received into an official account on a daily basis as required.

*County Clerk's Response:*

*I make deposits of money into my fee account as soon as practicable after their receipt. I only have an assistant in my office part-time due to budget limitations. I am not always able, because of time constraints to make deposits every day. I am, however, developing a plan to resolve this dilemma.*

*County Judge/Executive's Response:*

*I have talked to our County Clerk about articles 2, 3, and 4 of her audit, and she assures me that daily deposits will be made and better receipt records kept.*

ROBERTSON COUNTY  
STEPHANIE HENDRICKS, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
Calendar Year 2000  
(Continued)

NONCOMPLIANCE AND INTERNAL CONTROL - REPORTABLE CONDITIONS AND  
MATERIAL WEAKNESSES: (CONTINUED)

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The Clerk Should Maintain Proper Documentation For Receipts

The Clerk did not maintain receipts on a daily basis for all monies collected. KRS 68.210 establishes minimum accounting and reporting requirements for receipts which include issuing prenumbered three part receipts as required by KRS 64.840. KRS 68.210 also requires that these receipts be batched and reconciled to a daily checkout sheet. We recommend that the Clerk comply with these requirements.

*County Clerk's Response:*

*The date for which the auditor found improper receipting practices correspond to the dates (December 4-21, 2000) that I was out of the office due to having a minor child in the hospital intensive care unit following surgery.*

*County Judge/Executive's Response:*

*No response.*

The Clerk Had Undeposited Receipts Of At Least \$10,635

Based on the results of our audit procedures, we determined there was at least \$10,635 in undeposited receipts. The accountability of receipts was not adequate, several daily receipt totals could not be traced to a deposit slip, and unposted receipts were discovered. KRS 68.210, KAR 1:070, and TAB 93-002 require the County Clerk to deposit all public funds received into an official bank account. We recommend the Clerk comply with this statute and deposit all public funds received into an official bank account.

*County Clerk's Response:*

*According to the auditor, the \$10,635 in undeposited receipts as well as the unposted receipts were traced to the period December 4-21, 2000, which is the same period during which I was out of the office tending to my minor child who had been admitted to the hospital intensive care unit following surgery.*

*County Judge/Executive's Response:*

*No response.*

ROBERTSON COUNTY  
STEPHANIE HENDRICKS, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
Calendar Year 2000  
(Continued)

NONCOMPLIANCE AND INTERNAL CONTROL - REPORTABLE CONDITIONS AND  
MATERIAL WEAKNESSES: (CONTINUED)

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The County Clerk's Office Lacks Adequate Segregation Of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgement is a reportable condition under standards established by the American institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size, and budget restrictions the official has limited options for establishing an adequate segregation of duties. Management has considered and rejected additional cost when setting budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties. However, the Auditor of Public Accounts has judged the lack of an adequate segregation of duties to be a reportable condition.

*County Clerk's Response:*

*Due to budget limitations this is impossible.*

*County Judge/Executive's Response:*

*Due to our size and budget, the Fiscal Court does not see the need for additional personnel.*

PRIOR YEAR:

The County Clerk Should Make Daily Deposits

This was not resolved during the calendar year 2000.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

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Honorable Stephanie Hendricks, Robertson County Clerk

Members of the Robertson County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Robertson County Clerk for the year ended December 31, 2000, and have issued our report thereon dated July 23, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Robertson County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Clerk Should Not Have A Deficit In Her Official Bank Account
- The County Clerk Should Make Daily Deposits
- The Clerk Should Maintain Proper Documentation For Receipts
- The Clerk Had Undeposited Receipts Of At Least \$10,635

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Robertson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- The Clerk Should Not Have A Deficit In Her Official Bank Account
- The County Clerk Should Make Daily Deposits
- The Clerk Should Maintain Proper Documentation For Receipts
- The Clerk Had Undeposited Receipts Of At Least \$10,635
- The County Clerk's Office Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider all of the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 23, 2001



